

The Microfinance Impact on Women Empowerment: Review of Literature

Mr. Vikas Kumar Suryawanshi
Research Scholar, DAVV, Indore
Contact No.: 8770672068
Email: kumarvikassurya1c@gmail.com

Dr. Md Anas Iqbal
Director, Vishisht School of
Management, DAVV, Indore

Abstract

The advancement and prosperity of any nation are intricately tied to the socio-economic empowerment of its population. Microfinance has emerged as a prevalent instrument for poverty reduction and socio-economic empowerment, particularly among marginalized communities. With a significant focus on women as primary beneficiaries, the empowerment of women through microfinance remains a subject of widespread examination and discourse. This paper undertakes a review of existing literature concerning the impact of microfinance on women's empowerment in the context of India. It explores both favorable and unfavorable evidence while addressing the challenges associated with women's empowerment. This review contributes to a better understanding of the dynamics surrounding microfinance and women's empowerment, shedding light on key factors and implications.

Keywords: Microfinance, Women's Empowerment, Poverty Alleviation, Socio-economic Development.

Introduction

In many countries, especially in places that are still developing, people generally agree that something called microfinance can help poor people and make them more powerful economically and socially. Some studies have shown that when people, especially women, get access to microfinance, they become less poor, both in cities and in the countryside. But using microfinance isn't always easy. There are a lot of things that can make it hard for people to become more powerful economically and socially. Sometimes, the microfinance programs themselves need to change to work better. This article talks about what researchers have found in India, focusing on how microfinance helps women become more powerful. The article is organized like this: First, it talks about what economic and social empowerment means. Then, it looks at how microfinance helps women become more powerful in society and the economy.

After that, it talks about the good and bad things researchers found in India. Finally, it says what future research could look at.

Research Methodology

The study examines the body of research to emphasize how microfinance contributes to women's empowerment. Research publications that have been published in peer-reviewed journals are included in the study's scope.

Literature Review

Empowerment of the Economy and Society: The Idea People in poverty are believed to be able to think more broadly about their life choices and their resources when they are empowered economically. Additionally, there is evidence to support the idea that vulnerable groups' involvement in decision-making may be strengthened through economic empowerment.

The literature on economic empowerment is extensive, with a substantial portion of it focusing on the economic empowerment of women, which is a key tool in tackling gender inequality. More generally, the discourse on economic empowerment centers around four broad areas: a) the promotion of poor people's assets; b) transformative forms of social protection; c) microfinance; and d) skills training (Eyben, R., Kabeer, N., Cornwall, A., 2008), whereas social empowerment is understood as the process of developing a sense of autonomy and self-confidence, and acting individually and collectively to change social relationships and institutions.

Microfinance and Socio-Economic Empowerment: The Woman Dimension

A large number of studies have been undertaken to emphasize the importance of microfinance in promoting socioeconomic empowerment in India. Juliet Hunt and Nalini Kasynathan (2002) found that the fairness and efficiency grounds for directing credit to women remain strong: credit targeted to women, when they control income, is more likely to benefit the entire family than credit targeted to males. According to the study's findings, only a small percentage of women who get credit from poverty-oriented microfinance schemes have control over their loans. Individual or personal factors that appear to increase the likelihood of a woman controlling her loan and the income generated by it are the absence of a husband (due to death, abandonment, or long-term migration); and the use of the loan for a 'traditional' female activity, particularly where the woman can market her goods from home (such as paddy husking, sewing, selling milk or chicks). One of the primary barriers preventing women in Bangladesh and India

from gaining control of loan utilization and profit is a lack of market access for the purchase of inputs and the selling of commodities, particularly for non-traditional income-generating firms.

Nathalie Holvoet (2005) found that decision-making patterns were not homogeneous across different sectors of decision-making. Data from her South Indian study indicate that how direct bank-borrower minimum credit enters the home has little influence on decision-making habits. Women acquire a greater stake in things immediately linked to loan utilization, but they are unable to transfer this into greater participation in other areas of family decision-making. Kamal Gupta and P Princy Yesudian (2006) employed four indices established by the data set based on the DHS survey98-99 on women's empowerment to assess regional, socioeconomic, and cultural differences in India. The study reveals considerable differences in these indices of women's empowerment across states and socioeconomic and cultural environments in India. Women's education level has emerged as the most important predictor of all aspects of women's empowerment, whereas media and age have appeared as major predictors of some elements of women's empowerment.

Jyotish Prakash Basu (2006) investigated how a woman's predisposition to invest in safer investment projects is related to her desire to increase her bargaining power in the Hooghly area of West Bengal. The study's empowerment elements included economic decision-making, purchasing power, control over loans, control over income and savings, and family planning. The findings indicated that women's empowerment was developed in a poor form utilizing the variables listed above. It also claims that empowerment is dependent on the choice of investment project and that choosing a safe project leads to greater empowerment for women.

The Microfinance Impact on Women Empowerment: Positive and Negative Evidence from India

Ranjula Bali Swain (2006) found a clear economic impact on households, with an increase in income and a decrease in vulnerability. It also demonstrates a considerable influence on SHG (Self Help Group) families in terms of control, managerial capacity, self-confidence, behavioural change, and decision-making. Aside from socioeconomic empowerment, SHG families showed increased understanding and engagement in local politics. However, the influence is not apparent in several critical decisions, which this article believes are actual proof of women's empowerment. For example, no major improvements have been noticed in women's decision-making authority in the areas of family planning and property ownership.

Debadutta Kumar Panda (2009) evaluated the impact of microfinance participation in three Indian states: Orissa, Jharkhand, and Chhattisgarh. The study found that self-help group-based microfinance interventions have a beneficial influence on income, asset position, savings, employment, literacy, consumption, and migration decrease. Household savings had the greatest influence, followed by literacy, migration decrease, employment days, household consumables, education, assets, income, and food spending. Migration was reduced due to increased employment demand from group-initiated micro-enterprises. Employment days grew as a result of increasing demand from microenterprises and family members' employability.

On the other hand, a study done by Lakshmi R. and Vadivalagan G. (2010) found that SHGs had a stronger influence on both the economic and social elements of the recipients. According to the survey, the primary purpose for joining a SHG was not just to obtain credit, but also to participate in the empowering process. After joining SHG, the women became economically and socially empowered.

Lalitha K and Prasad G. (2011) have also demonstrated that several factors contribute to the challenge of empowering women via economic activity. Even while women form organizations, they have little decision-making power for their growth. The analysis revealed that the majority of SHG women have only been involved in microcredit savings. Their active engagement in economic activity was severely constrained due to NGOs' ineffective approaches.

Sarumathi S and Mohan K (2011) investigated the psychological, economic, and social aspects of empowerment. The study's findings show a positive association between characteristics showing improved literacy and awareness for children's education and a decrease in poverty levels, increasing quality of living. The average pays after joining a SHG is much greater, and microfinance has had a very positive influence on the 20-30 age range.

Sanjay Kanti Das (2011) investigated the barriers to empowerment for Karbi women in Assam's Karbi Anglong area. Tribal women have an important role in the co-management of their natural, social, and economic resources, as well as agricultural development, including crop and animal production, but they remain backward owing to traditional values, illiteracy, superstition, and many other social and cultural problems. The participation role of tribals in improving 20 of their living circumstances by fully researching natural assets and alternate applications must be incorporated into the strategic plan.

Aruna M and Jyothirmayi R (2011) investigated the effect of microfinance in empowering women through the SHG-Bank linkage scheme. This study has

added to the literature by demonstrating that microfinance is beneficial in freeing the suffering poor from their shackles and assisting them in improving their standard of life, as well as having a substantial positive influence in women's empowerment. The study's findings imply that microfinance has a significant impact on the economic position, decision-making capacity, knowledge, and self-worth of women who participate in the SHG linkage programme. However, it fails to include the lowest segments of the population and improve the participants' asset positions. The reason identified was that the loans were little in size and the time between loan doses was long.

An impact research designed to provide insight into the function of microfinance in empowering women indicates that microfinance has a significant beneficial influence on respondents' self-confidence and bravery, although self-esteem and wealth creation require attention. The study recommends that the microfinance sector should reach out to impoverished women who require a comprehensive spectrum of financial services, including financial literacy (B Revathy and M. Kailash 2012).

Sara Noreen (2011) researched women's empowerment using five indicators: kid health, schooling, child spouse selection, basic items purchase, and loan choice. The findings indicate that age, husband's education, father's inherited assets, marital status, number of living sons, and father's inherited assets all have a significant impact on female empowerment. Furthermore, this study decomposes data based on male and female loan utilization, leading to the conclusion that females who utilized loans on their own performed better than male family members. Finally, it was found that while microfinance was the primary explanatory variable in this study, it had some beneficial impact in empowerment, although not as much as was predicted.

Bhardwaj KR and Gebrehiwot K (2012) analyzed the socioeconomic characteristics of participants of NABARD models II, III, SHGs, and SGSY (Swarnajayanti Gramme Swarojgar Yojana). It was discovered that they outperformed their counterparts in SHGs under SGSY in terms of socioeconomic factors, as they obtained greater loan amounts and borrowed more for agricultural reasons. The findings revealed that after joining SHGs, women members' decision-making power/ability in terms of loan availability, asset development, income and money spent rose. Their engagement in political and social activities has also grown. The SGSY model had the highest proportion of women members engaging in Panchayati Raj Institutions, whereas the NABARD model II and III had a larger involvement of women members in academic and technical activities.

Conclusion

The scholarly material examined in this study demonstrates that microfinance has a significant positive influence on women's empowerment. It is more pronounced on the socioeconomic variable of empowerment. The beneficial impact has been observed in economic variables such as income, savings, employment days, household consumables, assets, and household expenditures. The social factors that had a beneficial influence were decision-making capacity, knowledge and self-worthiness, self-confidence, self-esteem, and self-worthiness. On the other hand, women's education levels have emerged as an important predictor of all dimensions of empowerment. Certain studies also show that women have a greater stake in loan-related issues, but they are unable to transfer this into more significant household decision-making. Certain barriers to women's empowerment have also been identified, such as insufficient institutional support for women members' self-employment; traditional beliefs, superstitions, and socio-cultural variables that decrease microfinance's empowering impact.

Future Research

The impact of microfinance on women's empowerment must be analyzed in light of increased literacy/education levels among women beneficiaries, as well as changes in social and cultural belief systems inside their households. Furthermore, it would be interesting to analyze female empowerment after receiving a larger amount of microcredit, i.e. after several cycles of microcredit.

Reference

- [1] Basu, J. P. (2006). *Microfinance and Women Empowerment: An Empirical Study with special reference to West Bengal*. Retrieved from http://www.igidr.ac.in/money/mfc_10/Jyotish%20Prakash%20Basu_submission_55.pdf
- [2] Blomkvist, H. (2003). *Social Capital, Political Participation, and the Quality of Democracy in India*. Paper presented at the annual meeting of the American Political Science Association.
- [3] Bhardwaj, R. K., & Gebrehiwot, K. (2012). *Microfinance and Women Empowerment: An Impact Study of SHGs - An Empirical Study in the Rural India with Special reference to the State of Uttarakhand*. Paper presented at Ninth AIMS International Conference on Management, pp 315-330.
- [4] Das, S. K. (2011). *Women Empowerment and Self Help Group: An Analytical study of Constraints in Karbi Anglong District of Assam*. *Journal of North East India Studies*, 1(1), 1-22.
- [5] Eyben, R., Kabeer, N., & Cornwall, A. (2008). *Conceptualising empowerment and the implications for pro poor growth*. *Institute of Development Studies*, 2-352.
- [6] Gupta, K., & Yesudian, P. P. (2006). *Evidence of women empowerment in India: a study of socio-spatial disparities*. *Geo Journal*, 65(4), 365-380.

- [7] Hunt, J., & Kasynathan, N. (2002). Reflections on Microfinance and Women's Empowerment. *Development Bulletin*, 57, 71-75.
- [8] Holvoet, N. (2005). The Impact of Microfinance on Decision Making Agency: Evidence from South India. *Development and Change*, 36(1), 75–102.
- [9] Lalitha, K., & Prasad, G. (2011). Impact of Women Empowerment and Role of SHGs in Value Based Emancipation. *Indian Streams Research Journal*, 1(II), 130-133.
- [10] Lakshmi, R., & Vadivalagan, G. (2010). Impact of Self Help Groups on Empowerment of Women: a study in Dharmapuri District, Tamilnadu. Retrieved from <http://jms.nonolympictimes.org/Articles/5.pdf>
- [11] Noreen, S. (2011). Role of Microfinance in Empowerment of female population of Bahawalpur District. 2011 International Conference on Economics and Finance Research IPEDR, 4, 318-324.
- [12] Panda, D. K. (2009). Assessing the impact of Participation in Women Self-help group based Microfinance: Non Experimental Evidences from Rural household in India. *International Journal of Rural Management*, 5(2), 197-215.
- [13] Revathy, B., & Kailash, M. (2012). Impact of Microfinance on Empowerment of Women: An Empirical study of SHGs in Guntur District. *Asian Economic Review*, 54(1), 183-199.
- [14] Sarumathi, S., & Mohan, K. (2011). Role of Microfinance in Women's Empowerment - An empirical study in Pondicherry region rural SHGs. *Journal of Management and Science*, 1(1), 1-10.
- [15] Swain, R. B. (2006). Microfinance and Women Empowerment - Evidence from SHGBLP in India. *Sida*, 1-25.